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FM SECSTATE WASHDC
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AMEMBASSY MONTEVIDEO PRIORITY
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FOR AMBASSADOR AND DCM ONLY

E.O. 12356: DECL: OADR
TAGS: AMGT AR CI PA UY
SUBJECT: OFFICIAL-INFORMAL

ASDAR FOR MARCH 23, 1992

(LOU) URUGUAY: MORE ON DAO OFFICE CLOSURE. DIA DIRECTOR
CLAPPER HAS CLOSED THE DAO OFFICE IN MONTEVIDEO EFFECTIVE
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APRIL 14. ISA LEARNED OF CLAPPER'S INTENTIONS ON FRIDAY
BUT HAD ASSUMED HE WOULD BEGIN THE NSDD 38 PROCESS GIVING
ROGERS AND WOLFOWITZ AN OPPORTUNITY TO CONSIDER POLITICAL
RAMIFICATIONS. LOUIS DUPART TELLS US HE WAS CAUGHT BY
SURPRISE THIS MORNING. WE HAVE SUGGESTED TO AMBASSADOR
BROWN THAT HE CABLE STATE AND DOD ASKING THE DECISION BE
REVIEWED UNDER DSDD 38 PROCEDURES. (COLLTON)

(C) URUGUAY: REFERENDUM TO OVERTURN PRIVATIZATION LAW.
LED BY THE BROAD FRONT, OPPONENTS OF THE 1991 LAW HAVE

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COLLECTED THE REQUISITE SIGNATURES TO MOVE TO THE SECOND STAGE IN THE LENGTHY REFERENDUM PROCESS, A NATIONAL CONSULTATION TENTATIVELY SET FOR JULY 12 AT WHICH AT LEAST 25 PERCENT OF THE ELECTORATE (ABOUT 500,000 VOTERS) MUST APPROVE A NATIONAL REFERENDUM ON THE LAW WHICH WOULD BE HELD IN LATE FALL. (COLLTON)

(S) ARGENTINA: ISRAELI EMBASSY AFTERMATH. DESPITE A CROWD ESTIMATED AT 80,000 PLUS MARCHING LAST THURSDAY TO CONDEMN THE EMBASSY BOMBING, MEMBERS OF THE OPPOSITION UCR AND ALDO RICO'S MODIN PARTY STEPPED UP EFFORTS TO BLAME THE GOA'S FOREIGN POLICY FOR MAKING BUENOS AIRES A TARGET FOR TERRORISM. DI TELLA HAS TOLD AMBASSADOR TODMAN THE BOMBING WILL NOT ALTER GOA POLICY. U.S., SPANISH, ITALIAN AND FRENCH INVESTIGATIVE TEAMS WERE SCHEDULED TO MEET TODAY WITH ARGENTINE FEDERAL POLICE BOMB SQUAD TO EXAMINE ALL PHYSICAL EVIDENCE OBTAINED SO FAR FROM THE SCENE. (FARRAR/PEREZ)

(U) ARGENTINA: FIRST HINTS OF DEVALUATION. B.A. PRESS REPORTS ECONOMY MINISTER CAVALLO TOLD A FARM GROUP THE GOA
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WOULD CONSIDER SMALL DAILY MOVEMENTS IN THE EXCHANGE RATE WERE SUCH TO BECOME NECESSARY. HE SAID THE GOA WOULD NOT COUNTENANCE A LARGE, SUDDEN DEVALUATION, TERMING IT A "SWINDLE." CAVALLO'S STATEMENTS ARE GOOD POLICY: THE GOA NEEDS TO CREATE MANUVERING ROOM TO ADJUST THE EXCHANGE RATE SHOULD DOMESTIC INFLATION CONTINUE TO OUTPACE U.S. INFLATION. AT THE SAME TIME, THE GOA MUST REASSURE THE PUBLIC THAT LARGE, DISRUPTIVE DEVALUATIONS ARE UNLIKELY. (FARRAR)

(C) ARGENTINA: DEAL WITH PRIVATE BANKS NEAR? FINANCE MINISTER CAVALLO CALLED AMBASSADOR TODMAN TODAY TO TELL HIM THE GOA HAS MADE THE BEST OFFER IT CAN TO THE PRIVATE BANKS. CAVALLO ASKED THAT THE USG USE ITS INFLUENCE WITH THE BANKS TO PERSUADE THEM NOT TO PRESS FOR MORE. TERRY HAS A CALL IN TO DAVID MULFORD TO PASS ALONG CAVALLO'S REQUEST. HE WARNED THAT MENEM MIGHT CALL THE PRESIDENT AS WELL AND WE HAVE GIVEN A HEADS-UP TO THE NSC.

(U) PARAGUAY: RODRIGUEZ TO RETIRE FROM MILITARY. SETTling AN OPEN QUESTION IN THE MINDS OF MANY PARAGUAYANS, PRESIDENT RODRIGUEZ ANNOUNCED PUBLICLY THAT AS SOON AS HE TRANSFERS HIS PRESIDENTIAL POWERS TO HIS

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SUCCESSOR IN AUGUST 1993 HE WILL ALSO RETIRE AS AN ACTIVE
DUTY MILITARY OFFICER. (COLLTON)
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